

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 AGR-20

SCEM-02 INT-08 /199 W

----- 047049

R 191715Z DEC 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5576

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS PARIS 32405

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FINANCE MINISTER MAKES STATEMENT ON FRENCH ECONOMY

REF: A- PARIS 31235; B- PARIS 3231

FINANCE MINISTER GISCARD D'ESTAING MADE MAJOR STATEMENT ON PROBLEMS
CONFRONTING FRENCH ECONOMY AT DECEMBER 18 MEETING OF ECONOMIC
AND SOCIAL COUNCIL. FOR FIRST TIME IN CURRENT BOUT AGAINST
INFLATION, HE ANNOUNCED SOME MODIFICATION OF HANDS-OFF POLICY
ON WAGE NEGOTIATIONS. AFTER APRIL 1, GOVTWILL INSIST THAT COST
OF ANY EXCESSIVE WAGE INCREASES BE MET OUT OF PROFITS, NOT PRICE
INCREASES. FOLLOWING ARE MAJOR POINTS MADE:

1. HEALTH AND DEVELOPMENT OF FRANCE'S ECONOMY. GISCARD STATED
GOVT'S GOAL REMAINED 5 PERCENT GROWTH RATE IN 1974,
ALTHOUGH THIS DEPENDED ON CONTINUED FUEL AVAILABILITY. EVEN
SHOULD SUPPLIES CONTINUE AT NORMAL LEVEL, FRANCE WOULD BE AFFECTED
BY RISING COSTS AND BY SLOW-DOWNS ELSEWHERE, HE ADDED. THE FRENCH
ECONOMY WOULD PROGRESS ALONG A MORE DIFFICULT PATH THAN

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HERETOFORE. FUTURE GROWTH, GISCARD SAID, COULD NO LONGER BE BASED
ON PREMISE OF CHEAP AND ABUNDANT RAW MATERIALS. FRENCH ECONOMY

WOULD HAVE TO BE RESTRUCTURED, TO GIVE GREATER EMPHASIS TO UTILIZATION OF ABUNDANT FRENCH KNOW-HOW, RATHER THAN SCARCE RAW MATERIALS. ROLE OF ADVANCED TECHNOLOGY INDUSTRIES MUST BE INCREASED AND THAT OF OTHERS REDUCED. FRANCE REQUIRED " A REDEPLOYMENT OF GROWTH," HE SAID, AND BOTH GOVT AND NATION'S ECONOMIC FORCES MUST WORK TOWARDS THIS END. IN LIAISON WITH OTHER MINISTRIES, HE WOULD DEVELOP A PLAN BY JULY 1. BUSINESSMEN AND MANAGEMENT ASSOCIATIONS, WORKERS AND LABOR UNIONS, WERE URGED TO HELP THROUGH "FRANK AND OPEN COLLABORATION" IN ALL SECTORS OF INDUSTRY. GISCARD PROMISED PERIODIC REPORTS TO PEOPLE ON ECONOMIC SITUATION.

2. ENERGY SUPPLY. THE FINANCE MINISTER ANNOUNCED:

- PROBABLE INTRODUCTION OF DAYLIGHT SAVING TIME TO FRANCE, WITH ONE HOUR'S CHANGE IN SPRING AND AN ADDITIONAL HOUR IN SUMMER;
- EXEMPTIONS TO PRICE CONTROL MEASURES TO FACILITATE FRENCH IMPORTS OF PRIMARY PRODUCTS AT WORLD MARKET PRICES;
- THAT APRIL 1 WOULD BE EFFECTIVE DATE OF EXEMPTION FROM CREDIT RESTRICTIONS FOR BANK LOANS TO FINANCE INVESTMENTS DESIGNED TO ECONOMIZE ON ENERGY OR RAW MATERIALS (REF A, ITEM1).

GISCARD CHARACTERIZED EXISTING FUEL-CONSUMPTION MEASURES AS STRENGTHENING OF FRANCE'S MARGINS OF SAFETY, A LIMITATION OF INDIVIDUAL CONSUMPTION TO PROTECT INDUSTRIAL PRODUCTION AND HENCE EMPLOYMENT.

3. INFLATION. GISCARD STRESSED THE THREAT INFLATION POSED TO FULL EMPLOYMENT AND ANNOUNCED NUMBER OF NEW MEASURES. 5 PERCENT LIMIT ON INCREASE IN CORPORATE DIVIDENDS WAS RECOMMENDED. PAY INCREASES IN PUBLIC SECTOR WOULD BE APPROACHED " IN AN ANTIINFLATIONIST SPIRIT," REQUIRING "SPONTANEOUS" MODERATION ON BOTH SIDES RELATIVE TO PRIVATE SECTOR, GISCARD PICKED UP RECOMMENDATION MADE BY THE LEADING FRENCH BUSINESS ASSOCIATION AND STATED THAT "PARTICULARLY AFTER APRIL 1," ALL WAGE INCREASES MUST BE LIMITED TO THOSE JUSTIFIED BY GAINS IN PRODUCTIVITY. HE SAID THAT IN PRICE NEGOTIATIONS WITH INDUSTRY BEGINNING APRIL 1, HIS MINISTRY WOULD TAKE POSITION THAT WAGE INCREASES BEYOND THIS SHOULD BE FINANCED FROM PROFITS AND NOT THROUGH HIGHER PRICES. ALTHOUGH NO SANCTIONS WERE MENTIONED, THIS REPRESENTS FIRST CONCRETE

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GOVT EFFORT TO INFLUENCE FUTURE WAGE AGREEMENTS, WHILE MAINTAINING RESPECT FOR FREE COLLECTIVE BARGAINING.

GISCARD NOTED THAT PRELIMINARY ESTIMATES FOR NOVEMBER INDICATE A PRICE RISE OF LESS THAN 1 PERCENT, DESPITE INCREASE IN PETROLEUM PRICES, WHICH ALONE BOOSTED INDEX BY 0.3 PERCENT. RATE OF INCREASE IN FOOD PRICES IN NOVEMBER WAS ONE-HALF THOSE REGISTERED FOR SEPTEMBER AND OCTOBER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973PARIS32405
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731216/aaaaalhh.tel
Line Count: 114
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A- PARIS 31235; B- PARIS 3231
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 25 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Sep-2001 by thomasv0>; APPROVED <18-Jan-2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCE MINISTER MAKES STATEMENT ON FRENCH ECONOMY
TAGS: EFIN, FR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005